



# Tier 1 Plan

for members participating  
prior to September 1, 2008











*This guide is a companion publication to KRS' Summary Plan Description. For a comprehensive overview of our plans, refer to the Summary Plan Description published at <https://kyret.ky.gov>.*

# TIER 1 PLAN GUIDE

KRS currently administers three different pension benefit tiers within our defined benefit plans:

<b>TIER 1</b>	Tier 1 members have a participation date prior to September 1, 2008.
<b>TIER 2</b>	The General Assembly passed House Bill 1 during the 2008 special legislative session. House Bill 1 established different criteria for retirement eligibility, the final compensation calculation, and benefit factors. Tier 2 members have a participation date of September 1, 2008 through December 31, 2013.
<b>TIER 3</b>	During the 2013 legislative session, Senate Bill 2 was enacted, creating Tier 3 benefits for members with a participation date on or after January 1, 2014.

This guide explains benefits for Tier 1 members who began participating prior to September 1, 2008, before House Bill 1 and Senate Bill 2 changes were effective.

Contact Us	Online Resources
 William A. Thielen Executive Director	 <a href="mailto:krs.mail@kyret.ky.gov">krs.mail@kyret.ky.gov</a> Incoming email is not secure. Email should only be used for general questions.
 Office Hours Monday - Friday 8:00am - 4:30pm	 <a href="https://kyret.ky.gov">https://kyret.ky.gov</a> Educational materials and forms are available online.
 1-502-696-8800 or 1-800-928-4646	 <a href="https://www.facebook.com/kyretirement">https://www.facebook.com/kyretirement</a> Like our page so we show up in your news feed.
 Perimeter Park West 1260 Louisville Road Frankfort, KY 40601	 <a href="https://myretirement.ky.gov">https://myretirement.ky.gov</a> Access your account online. See page 23 for more info.



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We're Here for You

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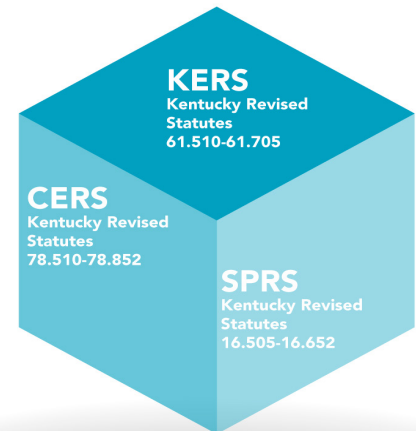
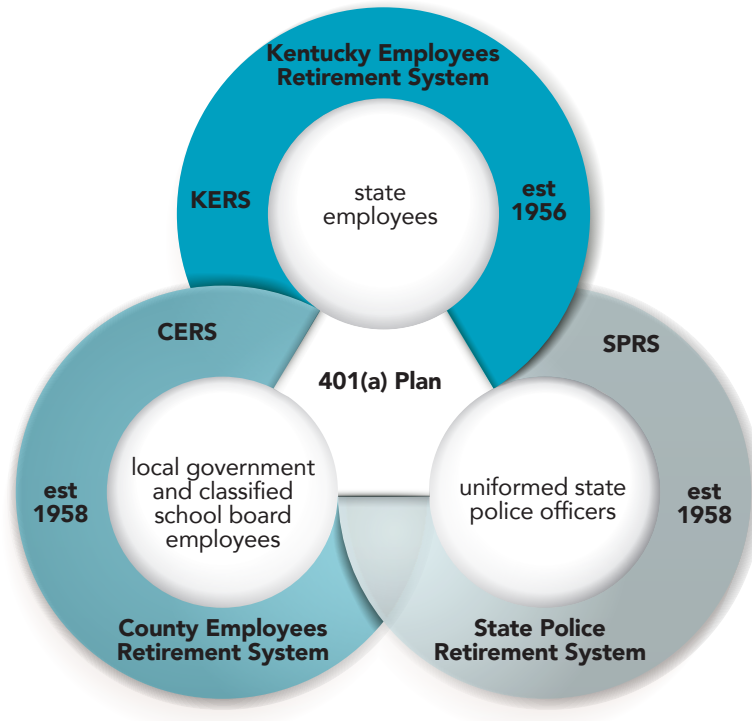


Tier 1

**2**

# My Retirement System

Welcome to Kentucky Retirement Systems (KRS). KRS provides retirement benefits for more than 340,000 state and local government members. Kentucky Retirement Systems is a 401(a) plan governed by a 13 member board and consists of three different retirement systems:



Kentucky Administrative Regulations Title 105

Copies may be available at public libraries, or on the LRC website <http://lrc.ky.gov>.

## What is the Tier 1 Plan?

The Tier 1 plan is one of three tiers within our defined benefit pension plan. This benefit tier is for members who began participation prior to September 1, 2008. Tier 1 is a defined benefit plan because it uses a specific formula to determine benefits and the assets of the plan remain in a single investment pool.

### Who is eligible?

All regular full-time employees who began participation with KRS prior to September 1, 2008 contribute to the Tier 1 plan. Your participation date is when you began paying contributions and earning service credit with KRS. This date may be different from the date you were hired.

Your participation in the plan is mandatory unless you are a non-participating employee. Employment classifications that are non-participating include part-time, seasonal, temporary, probationary (CERS only), interim, emergency, and independent contractors.



Your participation date can change the level of benefits to which you are entitled, health insurance eligibility, and your eligibility to purchase service.

## How does it work?

Benefits are funded through three sources:

1. Employee contributions deducted from a member's creditable compensation.
2. Employer contributions paid by each participating agency.
3. Return on investments.



Kentucky law defines creditable compensation. For more info, refer to our Summary Plan Description at <https://kyret.ky.gov>.

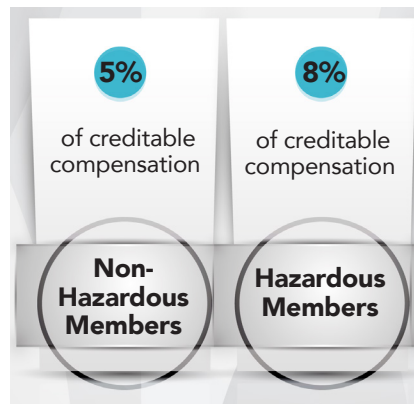
When a member is eligible to retire, the benefit is calculated based on a formula:

$$\begin{array}{ccccc} \text{Final Compensation} & & \text{Benefit Factor} & & \text{Years of Service} \\ \$ & \times & \% & \times & \text{Calendar icon} \end{array}$$

## My Retirement Account

### How much do I contribute?

Members of the Tier 1 plan contribute a set percentage of their salary each month to their own account as required by Kentucky law:



### How much does my employer contribute?

The employer contribution rate is set annually by the KRS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. KERS and SPRS rates are subject to approval by the General Assembly through the adoption of the biennial Executive Branch Budget. The KRS Board sets CERS employer contribution rates unless altered by legislation. Employer contribution rates are published online at <https://kyret.ky.gov>. Employer contributions are not deposited to the member's individual account.

### Does my account earn interest?

Prior to retirement, a member's account earns a guaranteed amount of interest at the end of each fiscal year. Interest is credited to your account based on your account balance as of June 30 of the prior fiscal year. For Tier 1 members, the interest paid is set by the KRS Board and will not be less than 2%.

### How are the contributions invested?

The KRS Board of Trustees and its investment professionals are responsible for investment decisions. The Board has established clearly defined investment policies, objectives and strategies for both the pension and insurance portfolios. The Board's investment policies and detailed monthly investment performance reports are published on our website at <https://kyret.ky.gov>.



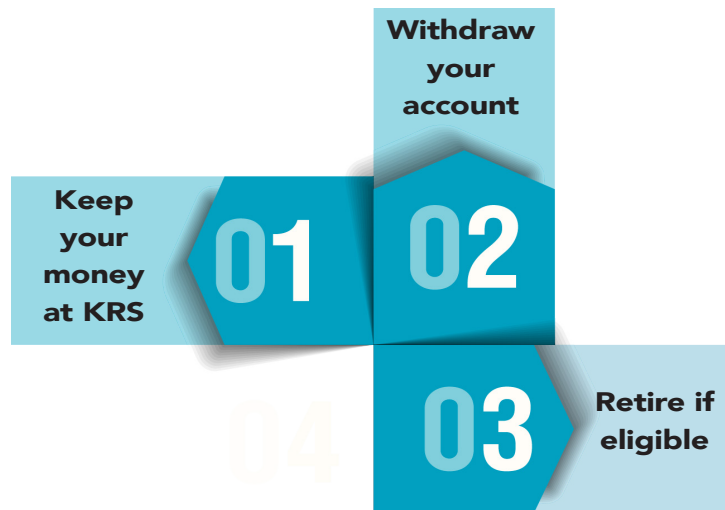
The Board is governed by the "Prudent Person" rule and must invest solely in the interests of members and their beneficiaries, impartially and with a good faith interpretation of the law.



# Managing My Account

## What if I leave my job?

You have three options if you leave your job:



### Option 1: Keep your money at KRS

Your account will continue to earn interest on the accumulated account balance and you can retire when you become eligible based on age.

If you change jobs and your new employer is a participating agency with KRS, you will contribute to your existing account and continue to accrue service credit.

### Option 2: Withdraw your account

Members are eligible for a refund of the member contributions plus any accumulated interest. Members do not receive a refund of any employer contributions.

Refunds from your KRS account may be paid directly to you or can be rolled over to another qualified retirement plan. If you elect to receive a direct payment, KRS is generally required to withhold 20% for federal income taxes. The amount withheld is not a penalty tax and will apply toward your federal tax liability for the year in which the refund is issued. Additional taxes due to age or other factors may apply if you choose to receive a direct payment of your refund.



By taking a refund, members forfeit eligibility for future benefits including health insurance and the \$5,000 death benefit.

If you go to work for a participating agency at a later date, you may be eligible to purchase your refunded service. However, the purchase will not reestablish your original participation date which determines the benefit tier you are in; you only receive credit for the months of service you purchase.

### Option 3: Retire if you're eligible

Retirement eligibility is dependent upon your age and years of service. Read more on page 6.

# When Can I Retire?

Under the Tier 1 plan, members may be eligible for a reduced or unreduced benefit. The qualifications are different depending on your type of service (hazardous vs. non-hazardous).



If a hazardous or non-hazardous member who is of normal retirement age has less than four years of service credit, the benefit is calculated based on a different formula.

## Non-Hazardous Members



### The requirements for an Unreduced Benefit are:

Age 65 or older  
with at least  
1 month of  
service credit.

Any age with  
27+ years of  
service credit.

### The requirements for a Reduced Benefit are:

Prior to age 65  
with at least 25 but  
less than 27 years  
of service credit.

Age 55 with at  
least 5 years of  
service credit.

## Hazardous Members



### The requirements for an Unreduced Benefit are:

Age 55 or older  
with at least  
1 month of  
service credit.

Any age with  
20+ years of  
service credit.

### The requirements for a Reduced Benefit are:

Age 50 with 15,  
but less than 20,  
years of  
service credit.

If eligible for a reduced benefit, the amount of reduction depends on the member's age or years of service at retirement.

Page 7 explains how the reduction works.

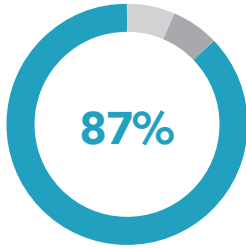


If a hazardous or non-hazardous member's participation date is August 1, 2004 or after, the only purchase types that count toward retirement eligibility are omitted service, retribution of refund and hazardous conversion.



## Receiving a Reduced Benefit

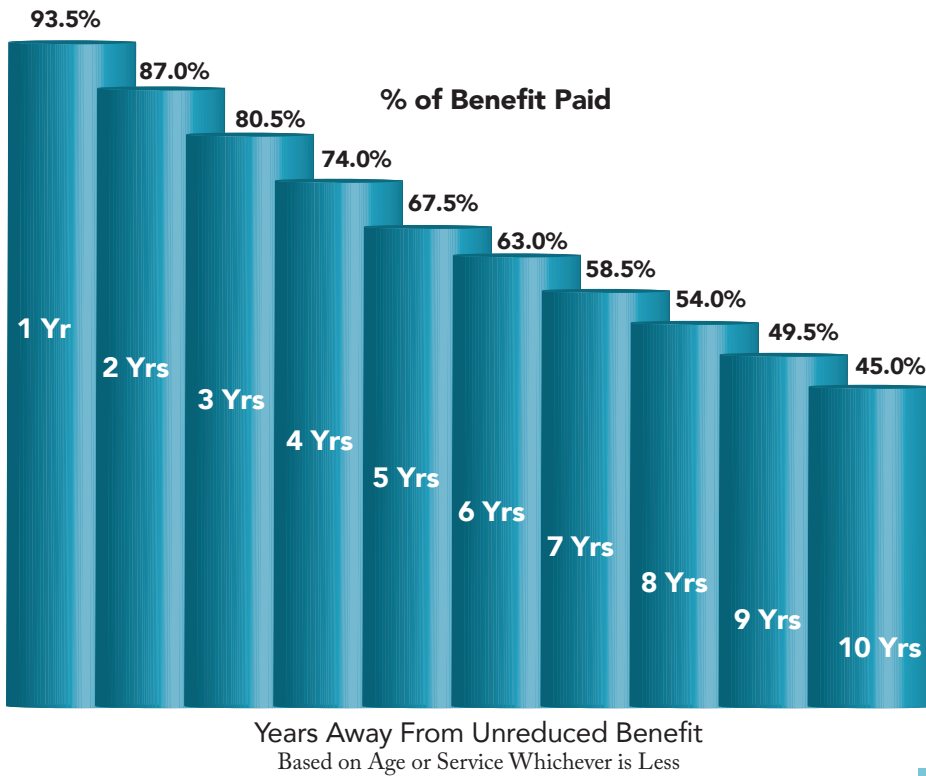
If a member qualifies for a reduced benefit, the amount of reduction depends on the member's age or years of service at retirement.



### For Example

A non-hazardous member has 25 years of service and is age 55. If the member chooses to retire, the benefit will be reduced to 87% because the member is two years short of reaching 27 years of service.

To use the chart below, determine the number of years the member is short of reaching an unreduced benefit, based on age or service, whichever is less.



# How is My Benefit Calculated?

When a member is eligible to retire, the benefit is calculated based on a formula:

## Final Compensation

*Fiscal year earnings used when calculating your retirement benefit.*

X

## Benefit Factor

*Set by state law and vary based on the type of service and participation date.*

X

## Years of Service

*Years of service represents your total service credit at the time of retirement.*



## Final Compensation

For Tier 1 members, final compensation, or salary average, is determined by dividing the total salary earned (5-High or 3-High) by the total months worked and then multiplying by twelve to annualize.

## Non-Hazardous Members

Non-Hazardous retirement benefits are based on 5-High final compensation. When final compensation is based on the 5-High, it must include at least 48 months and a minimum of 5 fiscal years. The example below walks you through the final compensation calculation.

Fiscal Year	5-High	Months
Year 1	\$2,625	1
Year 2	\$31,295	12
Year 3	\$29,795	12
Year 4	\$28,295	12
Year 5	\$26,795	12
Total	\$118,805	49

$$\text{\$118,805} / \text{49 months} \times 12 = \text{\$29,095}$$

## Hazardous Members

Hazardous retirement benefits are based on 3-High final compensation. A 3-High final compensation must include at least 24 months and a minimum of three fiscal years.

Fiscal Year	3-High	Months
Year 1	\$3,625	1
Year 2	\$40,000	12
Year 3	\$38,500	12
Total	\$82,125	25

$$\text{\$82,125} / \text{25 months} \times 12 = \text{\$39,420}$$



KRS calculates benefits based on a fiscal year, which begins July 1 and ends June 30.



Tier 1



For both hazardous and non-hazardous service, the years used do not have to be full (12 month) years. The fiscal years do not have to be consecutive, although for most members, the last years of employment are generally the years of highest earnings. Members approaching retirement should plan termination of employment so that the last day of employment is the last working day of the month. Otherwise, the member's final compensation may be reduced because of an individual's final month representing only a partial month's wages.



For fiscal years beginning with 1996-1997, final compensation is limited to the annual compensation limits set by federal law.

A member who has hazardous and non-hazardous service will receive two monthly benefits: one for the hazardous service and one for the non-hazardous service. In this situation, a member will have 5-High final compensation for the non-hazardous service and 3-High final compensation for the hazardous service.



### Benefit Factor

Benefit factors are set by state law and vary based on the type of service and participation date. The benefit factors shown below apply to Tier 1 members.

#### KERS Non-Hazardous

**1.97%**

If member does not have 13 months credit for 1/1/1998-1/1/1999

**2.00%**

If member has 13 months credit for 1/1/1998-1/1/1999

#### CERS Non-Hazardous

**2.00%**

If member began participating on or after 8/1/2004 and before 9/1/2008

**2.20%**

If member began participating prior to 8/1/2004

#### Hazardous

**KERS 2.49%**

**CERS 2.50%**

**SPRS 2.50%**

*Only SPRS members and KERS and CERS members in an approved hazardous duty position are eligible.*

# How is My Benefit Calculated?



## Service Credit

The service used to calculate retirement benefits may include:

1. Current Service
2. Prior Service
3. Purchased Service
4. Sick Leave Service

Members who began participating in KRS on or after August 1, 2004 cannot use most service purchase types for determining eligibility for retirement benefits, death benefits and insurance benefits at retirement. This applies to all service purchases made by the member or employer with the exception of omitted service, recontribution of service refunds, and hazardous conversions as well as service credit for free military and sick leave.



Your participation date is when you began paying contributions and earning service credit with KRS. This date may be different from the date you were hired.

To earn service credit, a member must work in a regular full-time position, defined as a position that averages 100 or more hours per month over a calendar or fiscal year. For local school boards, a regular full-time position is a non-certified position where the employee averages 80 or more hours of work per month over actual days worked.

## Current Service

Current service is earned as a contributing member. For each month an employer reports wages and contributions for regular full-time employment, a member earns one month of service credit.

## Prior Service

Prior service is all service earned before July 1, 1956 in KERS and July 1, 1958 in CERS and SPRS. There is no cost for this service. A member must have at least 12 months of current service in the same retirement system in order to use the prior service toward a retirement benefit. Prior service is only credited for months in which the member worked at least 100 hours.

## Purchased Service

There are more than 30 types of service a participating member may purchase to increase total service credit. You can find a list of the most common purchase types on page 12. For a complete listing, refer to our Summary Plan Description at <https://kyret.ky.gov>.



Most service purchases will not reestablish an earlier participation date.

State law outlines the requirements for each purchase type. If you are interested in purchasing service, you should call our office to request an official cost calculation. Please note that the appropriate verification must be filed with KRS before the purchase cost can be calculated. Please write your Member ID on any documentation you submit to our office.



## Sick Leave Service

Most members of KERS and SPRS receive service credit for all unused sick leave at the time of retirement. Participation in the sick leave program is optional for CERS employers. Members of CERS may receive service credit for their sick leave at retirement if their employer has adopted the Standard or Alternate sick leave program with KRS. CERS members should check with their employer to see what sick leave program is in place.

Sick leave is credited based on the member's unused hours of sick leave and the hours worked per day. The following chart gives you an idea of how you can receive credit for your sick leave balance at retirement.

4 hours per day	6 hours per day	7.5 hours per day	8 hours per day	Service Credit
44 - 84	66 - 126	82.5 - 157.5	88 - 168	1 month
128 - 168	192 - 252	240 - 315	256 - 336	2 months
212 - 252	318 - 378	397.5 - 472.5	424 - 504	3 months
296 - 336	444 - 504	555 - 630	592 - 672	4 months
380 - 420	570 - 630	712.5 - 787.5	760 - 840	5 months
464 - 504	696 - 756	870 - 945	928 - 1008	6 months

For an expanded list, please refer to our Summary Plan Description at <https://kyret.ky.gov>.

You only need the minimum hours of sick leave for each range to obtain the indicated months of service.

### Standard Sick Leave Example

If you work 7.5 hours per day, and you have 900 hours of sick leave, you will receive 6 months of service credit. You would also receive 6 months of service credit at retirement if you only had 870 hours of sick leave.

### Alternate Sick Leave Example

If you work 8 hours per day, and you have 575 hours of sick leave, you will receive 3 months of sick leave service and the money paid to you for your unused sick leave is used in determining your Final Compensation.

# Can I Purchase Additional Service Credit?

Under the Tier 1 plan, there are more than 30 service purchase types available. Below we have listed the most common purchase types. If you don't see your service type here, please refer to the list provided on our website at <https://kyret.ky.gov>.

## On or after August 1, 2004

The only service purchases that count toward insurance eligibility are omitted service, hazardous conversion and recontribution of refunded service.

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### Purchase Types without Service Requirements

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#### Recontribution of Refunded Service

A member currently participating in one of the state administered retirement systems who has taken a refund of retirement contributions for previous employment may regain the service lost by paying the amount of contributions withdrawn plus interest calculated from the time of withdrawal. This purchase will not reestablish an earlier participation date. The member must work for at least six months to validate the purchase.

*Verification Required: Information should be on file at KRS.*

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#### Summer Months

A member currently participating in one of the state administered retirement systems who was contracted by a local school board, university, community action agency, or school for the deaf or blind to work 9, 10, or 11 months may purchase up to 3 additional months to complete a full year.

*Verification Required: Information should be on file at KRS.*

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#### Omitted Service

If a member was entitled to service credit but was not reported to KRS, the member may obtain service by paying the employee contributions for the period of omitted service. If employee contributions are not received within 6 months of notification by KRS, a participating employee may obtain the service by paying the employee contributions plus any accumulated interest. Service credit will not be awarded to the member's account until KRS has also received the employer contributions.

*Verification Required: Form 4225 — or — Personnel Forms*

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### Purchase Types with Service Requirements

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*A member under the age of 65 must have at least 60 months of service credit while a member over the age of 65 must have at least 48 months of service credit.*

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#### Delayed Service (also known as past service)

A member may purchase service with an agency that did not participate in KRS but has since joined. Delayed Service is service worked prior to the date the agency began participating or in the case of a member who initially rejected membership, service worked from the member's hire date through his or her election to participate in KRS.

*Verification Required: Form 4225*

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#### Seasonal, Temporary, Emergency, Interim or Part-time

A member may purchase service for time worked for a participating agency in a seasonal, temporary, interim, emergency, or part-time position (more than 100 hours per month).

*Verification Required: Form 4225 — or — Personnel Forms*

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## Purchase Types with Service Requirements *continued*

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### **Non-Qualified Service (also known as air time)**

Members currently participating and who participated prior to August 1, 2002, may purchase up to 5 years of service once they have 15 years of total service in a state administered retirement system. At least 5 of the 15 years required for this purchase type must be in KERS, CERS, or SPRS. The Non-Qualified service may not be used for benefit purposes until the member has 20 years of service credit, excluding the Non-Qualified service.

*Verification Required: Information should be on file at KRS.*

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### **Active Duty Military**

A member may purchase all periods of active duty service with a branch of the Armed Forces. This purchase may require an honorable or general discharge from service.

*Verification Required: A copy of your DD-Form 214 for each period of active duty.*

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### **National Guard/Reserves**

A member may purchase 1 month of credit for every 6 months served.

*Verification Required: Most recent Annual Statement of Points.*

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### **State University Service**

A member may purchase service for certain types of employment with Kentucky's state sponsored universities provided they did not participate in a defined benefit plan during employment, and the position held would have qualified as a regular full-time position had the university been a participating department. This purchase is limited to the University of Kentucky and the University of Louisville since other state-sponsored universities participate in KERS.

*Verification Required: Form 4120*

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### **Approved Leave**

A member may purchase service credit for:

- Approved educational leave,
- Authorized maternity leave without pay,
- Approved sick leave without pay, or
- Approved leave without pay under the Family Medical Leave Act (FMLA) that occurred while working for a participating agency.

*Verification Required: Form 4225 — or — Personnel Forms — or — Letter from agency verifying the period of leave.*

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### **Federal Service**

A member may purchase service worked as a full time federal employee provided the member withdrew all funds or did not participate in the Federal Retirement System.

*Verification Required: Form 4225 — or — Personnel Forms — or — Letter from agency verifying the period of leave.*

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### **Out of State Service**

A member may purchase up to 10 years of service credit for full-time out-of-state public service. To qualify, the service must have been credited in a state or locally administered defined benefit retirement plan, other than one for teachers. The member must show that he or she has received a refund or is not eligible for a retirement benefit for the period of out of state service. For Hazardous Duty: To establish the position as hazardous duty, the member must submit a copy of the job description for his or her out of state public service.

*Verification Required: Form 4225 — or — Personnel Forms — or — Letter from agency verifying the period of leave.*

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# What are My Payment Options?

KRS provides various payment options so that a retiring member can select a monthly benefit option best suited to his or her particular retirement needs. The available payment options are listed below.

## Basic

This option provides a monthly benefit to the member until death. The Basic option does not provide a benefit to the beneficiary after the member's death. It provides the highest monthly lifetime benefit. If you pass away before receiving an amount equal to your accumulated account balance at the time of retirement, your beneficiary will receive any remaining balance of your accumulated contributions (i.e. member contributions and interest).

## Life with 10 Years Certain

This option is available for members who are age 75 or younger at retirement. This option guarantees payments for a 120 month period, which begins when the member retires. If the member dies before 120 payments have been made, the beneficiary will receive the remaining payments. If the member survives past the 120 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

## Life with 15 Years Certain

This option is available for members who are age 67 or younger at retirement. This option guarantees payments for a 180 month period, which begins when the member retires. If the member dies before 180 payments have been made, the beneficiary will receive the remaining payments. If the member survives past the 180 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

## Life with 20 Years Certain

This option is available for members who are age 61 or younger at retirement. This option guarantees payments for a 240 month period, which begins when the member retires. If the member dies before 240 payments have been made, the beneficiary will receive the remaining payments. If the member survives past the 240 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

## Survivorship 100%

This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for the same monthly benefit until death.

## Survivorship 66 2/3%

This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 66 2/3% of the member's monthly benefit until death.

## Survivorship 50%

This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 50% of the member's monthly benefit until death.



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## Pop-Up

This option guarantees a monthly benefit to the member for the member's lifetime. If the member dies before the beneficiary, the beneficiary is eligible for the same monthly benefit until death; however, if the beneficiary dies before the member, the member's monthly benefit "Pops-Up," or increases, to the amount under the Basic option. The member's benefit will also Pop-Up if the member's beneficiary is a spouse and they become divorced.

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## Social Security Adjustment (without survivor rights)

A member less than age 62 may elect to take a larger monthly payment until reaching age 62, when they may be eligible for Social Security. The monthly benefit will be reduced the month following the member's 62nd birthday. This option does not affect the amount of Social Security that the member will receive. A beneficiary is not eligible for benefits if the member dies.

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## Social Security Adjustment (with survivor rights)

This option provides the same benefits as the Social Security Adjustment option without survivor rights. In addition, it guarantees the same benefit to the beneficiary if the member dies. If the member dies before age 62, the beneficiary draws the higher payment until the member would have become age 62. After that, the beneficiary will receive the same reduced monthly benefit that the member would have received.

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## Actuarial Equivalent Refund

This option provides a one-time lump sum payment to the member that is the actuarial equivalent of the amount the member would have received if the benefit were paid over 60 months. Carefully consider this option. This is a retirement benefit, not a refund of the member's account. Under this option, the member forfeits all health insurance benefits, the death benefit and any other KRS benefits. The actuarial refund cannot be repaid if the member is later employed with a participating agency. A member may be subject to additional tax penalties under this option.

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## Lump Sum Refund

This option provides a one-time lump sum payment of the member's accumulated contributions and interest. The one-time payment may be (1) Paid directly to the member, minus 20% for federal income tax, or (2) Partially or directly rolled over to an Individual Retirement Account (IRA) or eligible employer plan. Carefully consider this option. Under this option, the member forfeits all health insurance benefits, the death benefit and any other KRS benefits. The refund cannot be repaid if the member is later employed with a participating agency. A member may be subject to additional tax penalties under this option.

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## Ten Years Certain Option ( Hazardous Only)

This option provides a monthly payment guaranteed for 120 months to the member, or if the member dies, to the beneficiary for the remainder of the 120 months. After the 120-month period, the member still retains the insurance benefit but is no longer eligible for any other benefits. This benefit pays a high monthly amount, but only for 10 years. After 10 years, this benefit ceases altogether and neither the member nor the beneficiary will receive further payments. In addition, after the end of the 10 years, there will be no \$5,000 death benefit payment at the time of the member's death. For this option, the member may name a single person, trust, or estate as beneficiary. *This option is only available for Tier One and Tier Two SPRS members or KERS or CERS members in hazardous positions. It is not offered to members who have hazardous and nonhazardous service in the same system, or Tier Three members.*

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# Basic Payment Option Examples

The following examples illustrate how the Basic payment option is calculated when a member is eligible to retire.



## Non-Hazardous Example

Jane Doe works in a Non-Hazardous position for an agency participating in CERS. She is retiring August 1 with a final compensation of \$29,095 and 27 years of service credit. Her benefit is calculated using the retirement formula:

Final Compensation		Benefit Factor*		Months of Service		Annual Benefit
\$	x	%	x		=	\$17,282.43
\$29,095		2.2%		27 Years		

\*Jane began participating before 8/1/04, so her benefit factor is 2.2%

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic option:


Annual Benefit				Monthly Benefit
\$17,282.43	/	12	=	\$1,440.20

In this example, Jane's monthly payment would be \$1,440.20 under the Basic payment option.



## Hazardous Example

Jack Doe works in a Hazardous position for an agency participating in CERS. He is retiring August 1 with a final compensation of \$39,420 and 20 years of service credit. His benefit is calculated using the retirement formula:

Final Compensation		Benefit Factor		Months of Service		Annual Benefit
\$	x	%	x		=	\$19,710.00
\$39,420		2.5%		20 Years		

The value produced by the retirement formula is divided by twelve to get a monthly payment under the Basic option:

Annual Benefit				Monthly Benefit
\$19,710.00	/	12	=	\$1,642.50

In this example, Jack's monthly payment would be \$1,642.50 under the Basic payment option.



You can view benefit estimates for different retirement dates online using our self service website. Read more on page 23.



# Can I Leave My Benefit to Someone?

## Before Retirement

File Form 2035 to designate a beneficiary for your account prior to retirement. If you do not have a valid Form 2035 on file with our office, the beneficiary of your member account will be your estate. Before you retire, the payment options available to your beneficiary are based on your account at the time of your death.

## When You Retire

At retirement, you will designate one beneficiary for your account. The payment option you select at retirement will determine the benefits, if any, provided to your beneficiary upon your death. It's important to keep in mind that a beneficiary does not have access to our health insurance plans if they are not receiving a monthly benefit. Additionally, members that retire with at least 48 months of service credit are eligible to name a beneficiary for a separate \$5,000 death benefit. Read more about this benefit on page 20.

Beneficiaries have the choice to decline monthly payments and instead opt to receive the remaining balance of the member's contributions and interest in a one-time payment. The one-time payment may be:

- Paid directly to the beneficiary (minus 20% for federal income tax), or
- Partially or directly rolled over to an Individual Retirement Account (IRA) or employer plan

When our office receives notification of a member's death, we contact your beneficiary and outline the available payment options.



You can see your current beneficiary designation online using our self service website. Read more on page 23.

### Form 2035

**Before you retire, you may name principal and contingent beneficiaries.**

### Form 6000

**When you retire, you name one beneficiary on your retirement application.**

# Good to Know

## Are my benefits protected?

The laws governing each retirement system establish an inviolable contract with the Commonwealth, which means that most retirement benefits provided by law at the time the member begins participation cannot be changed.

In 2003, the law changed generally, removing retiree health insurance benefits from the inviolable contract for members who began participating July 1, 2003 and after. This means that the General Assembly could change retiree health insurance benefits for members participating on or after July 1, 2003 if fiscal circumstances call for it.



State law defines retirement benefits covered under the inviolable contract for each system:

KERS *Kentucky Revised Statutes 61.692*

CERS *Kentucky Revised Statutes 78.852*

SPRS *Kentucky Revised Statutes 16.652*



## Health Insurance

You may be eligible for health insurance coverage through KRS when you retire. Under the Tier 1 plan, there are different eligibility requirements and benefits depending on the member's participation date.

## Participation Date Prior to July 1, 2003

KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service (hazardous or non-hazardous).

Each year prior to the Open Enrollment period, the KRS Board establishes the contribution rate for the following plan year. The monthly contribution rate is based on single coverage under the insurance plan approved by the KRS Board.

The percentage of the monthly contribution rate paid is shown below. For hazardous members, the portion paid toward couple, parent plus or family coverage is based solely on the amount of service the member has in an approved hazardous position.

Non-Hazardous Service	Member % of Contribution Rate Paid*	Hazardous Service	Member & Dependent % of Contribution Rate Paid*
Less than 4 years	0%	Less than 4 years	0%
4 - 9+ years	25%	4 - 9+ years	25%
10 - 14+ years	50%	10 - 14+ years	50%
15 - 19+ years	75%	15 - 19+ years	75%
20+ years	100%	20+ years	100%

\*Benefits for In Line of Duty and Duty Related retirees and beneficiaries may be different. If these benefits apply to you, please contact our office for more information.



## Health Insurance

### Participation Date July 1, 2003 – August 31, 2008

To be eligible, you must have at least 120 months of service in a state-administered retirement system. If you retire with less than 120 months of service credit, you cannot participate in the health plans KRS offers.



On or after August 1, 2004 the only service purchase types that count toward insurance eligibility are omitted service, hazardous conversion, and retribution of refunded service.

Free military and sick leave service credit also count toward insurance eligibility.

If eligible, KRS will pay a contribution toward the premium based on how many years of service you have at retirement. For non-hazardous retirees, KRS pays \$10 toward the monthly premium for each full year of service the member has at retirement. Hazardous retirees receive \$15 toward the monthly premium for each full year of service at retirement. Upon the retiree's death, the spouse of a hazardous duty member will receive a monthly insurance contribution of \$10 per month for each year of hazardous duty service, provided the spouse is designated as beneficiary and remains eligible for monthly benefits.

The monthly insurance benefit has been increased annually by a Cost Of Living Adjustment (COLA) since July 2004. The annual 1.5% increase is cumulative and continues to accrue after retirement.

The following examples do not reflect the annual COLA.

#### Non-Hazardous Example

If a non-hazardous member began participating August 1, 2003 and retires with 20 years of actual service, the KRS contribution toward insurance coverage is \$200 per month.

#### Hazardous Example

If a hazardous duty member began participating August 1, 2003 and retires with 20 years of actual hazardous service, the KRS contribution toward insurance coverage is \$300 per month. Upon the member's death, the spouse, if eligible, would receive a monthly insurance contribution of \$200 per month.



### Disability Benefits

If you become disabled during the course of your employment, you may be eligible to apply for disability retirement benefits. This application must be made within 24 months of your last day of paid employment to the Disability Benefits section. If approved, this option allows you to receive a monthly benefit before you reach retirement eligibility. For more information on disability benefits, please contact the KRS Disability and Death Division.



This guide is intended to give you a brief description of your retirement benefits. Want more info? Refer to our Summary Plan Description at <https://kyret.ky.gov>.



## Beneficiary Designation

When you begin participating, you should file Form 2035 at our office to designate a beneficiary for your retirement account. You may name principal and/or contingent beneficiary(ies) on this form. Your beneficiary(ies) will receive any benefits you may be eligible for if you die before you retire. You can change this designation at any time prior to retirement by filing a new Form 2035 with our office.



Before you retire, a beneficiary may be one individual, multiple individuals, your estate, or a trust. When you retire, your retirement account beneficiary can be one person, your estate, or a trust.

At retirement, you will designate one beneficiary for your retirement account on the Form 6000, Notification of Retirement. This is an important decision, because after your retirement date, you cannot change your beneficiary designation. If an individual who is not your spouse is selected as beneficiary at the time of retirement, certain payment options may not be available depending on the age difference between you and your beneficiary.



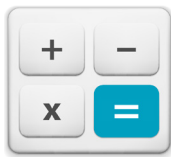
## Death Benefit

There is a \$5000 death benefit for retired members who are receiving a monthly retirement payment based on at least 48 months of service at KRS. This benefit is not a form of insurance. With the \$5,000 death benefit, the member can name one person, their estate, a trust, or a licensed funeral home as beneficiary. This beneficiary can be different than the beneficiary named for the monthly benefit.

Your beneficiary will be your estate if you do not have a valid Form 6030, Death Benefit Designation, on file with our office.



Unlike the retirement account beneficiary, a retiree may change the beneficiary designation for the death benefit after retirement.



## Taxes

Monthly benefits from KRS are subject to federal income tax. Retirement benefits may also be subject to state tax.

In Kentucky, all benefits attributable to service earned prior to January 1, 1998 are exempt from state income tax. Benefits earned January 1, 1998 and after are subject to state income tax but may be excludable up to a certain amount. Retirement credit for unused sick leave is treated as being earned at the time of retirement. See schedule P in the Kentucky income tax forms for the exclusion amount and calculation.



## Leave

Lump sum compensatory payments before and at the time of retirement are included in final compensation. KERS and SPRS members in Tier 1 may use an unlimited amount of sick leave toward service credit at retirement. CERS members are subject to the sick leave plan their employer selected. Annual leave is not used to calculate benefits for members in the Tier 1 plan. Lump sum annual leave payments are not used to calculate benefits.



## Service with Other Plans

If you have service with more than one state administered retirement system in Kentucky, you may be able to combine service to determine eligibility for benefits, total service credit and final compensation. Each system will pay a benefit based on the amount of service in that system. If you have an account in more than one of the systems listed below, you should contact KRS to determine the benefits you may be eligible to receive at retirement.

- Kentucky Employees Retirement System (KERS)
- County Employees Retirement System (CERS)
- State Police Retirement System (SPRS)
- Kentucky Teachers Retirement System (KTRS)
- Judicial Retirement Plan (JRP)
- Legislators Retirement Plan (LRP)



To receive benefits from all systems, you must no longer work for a participating agency and submit the required forms to each system at the time of retirement.



## New Members

When you are hired, your employer submits information about your employment to our office. Once you are eligible to participate in KRS, your account is created. As a participating member, you are required to complete Form 2001, Membership Information, and Form 2035, Beneficiary Designation. You can find both forms on our website at <https://kyret.ky.gov>.

No benefit will be paid, including a refund of your account, until Form 2001 is received. If you do not have a valid Form 2035 on file, the beneficiary of your member retirement account will be your estate. Completed forms must be on file at our office in Frankfort to be valid.



## Change of Address

It is important to keep your address current with KRS. If your address changes, you should let your employer know as soon as possible. Your employer will notify KRS as part of their monthly reporting. You may also change your address online through your self service account (see page 23) or by completing Form 2040, Change of Address. However, make sure you tell your employer about your address change so the monthly report to KRS is correct. If you do not, the monthly report will override your address change.

# Accessing Benefits Info

KRS is committed to protecting the confidentiality and security of your member data. KRS has developed and implemented policies and processes that safeguard your information which include assigning a Member ID and Personal Identification Number (PIN) to each member.

## Member ID

KRS has created a unique account number for all members known as the Member ID. Your Member ID may be six or seven digits. Your Member ID is your account number and is only valid when you are doing business with our office.

We use your Member ID to maintain your account and file information you submit to our office. Your Member ID is the identifying number on KRS forms and letters you receive from our office.

When you login to our self service site, your Member ID will be the first item displayed on each page under your benefit account information.

1234

## PIN

KRS has also created a four-digit PIN which provides an added layer of security when you interact with KRS, whether online or over the phone.

When calling to discuss your account, you will need to provide your Member ID and PIN. You will also need your PIN to register and access your account online.

You can request a new PIN by calling our office at 1-800-928-4646. Your PIN will be mailed to the address you have on file at KRS.

## Online

We encourage our members to look at the information available on our web site, <https://kyret.ky.gov>. You can also find us on Facebook at <https://www.facebook.com/kyretirement>. Make sure you like our page so we show up in your news feed.

Educational materials and forms are available on our website. You may also use our self service site to access your retirement account online. The registration process is easy. Once you've registered, share your email address with us so we can deliver your member newsletter and important announcements to your inbox.



## Outreach & Programs

KRS offers educational opportunities throughout the year, including webinars and onsite workshops. Visit our website to see what programs are scheduled.



Our programs usually require advance registration. Please read the program description to find one that works best for you.



Tier 1

# My Online Account

Self service offers you a convenient way to manage your account and prepare for retirement. Registration is easy:

## ❶ Go to [MyRetirement.ky.gov](https://myretirement.ky.gov)

This is the direct link to your self service account. You can also visit the KRS website at <https://kyret.ky.gov> to access the login page.

## ❷ Connect to Your Account

To register, you will enter your Social Security number, date of birth and PIN so we can identify your account. You will only be asked for your Social Security number during this initial registration.

## ❸ Create Login Information

We will ask you to create a User ID and Password, which you will use each time you login to your account. For additional security, you will answer a secret question. This answer will be used when you need to reset your User ID or Password.

When the setup steps are complete, you are ready to manage your retirement account online.

We encourage you to login and share your email address with us so we can email newsletters and announcements.

# We're Here for You

If you need more information about your retirement benefits, please don't hesitate to let us know. We want to help make your journey to retirement as easy as possible. We're always happy to answer any questions you may have.



[krs.mail@kyret.ky.gov](mailto:krs.mail@kyret.ky.gov)

Incoming email is not secure. Email should only be used for general questions. You should never include confidential or personal information in email.



1-502-696-8800

— or —

1-800-928-4646



Perimeter Park West  
1260 Louisville Road  
Frankfort, KY 40601



<https://kyret.ky.gov>

<https://myretirement.ky.gov>

<https://www.facebook.com/kyretirement>



If you write us, please include your name, Member ID, mailing address and signature.



Kentucky Retirement Systems  
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## Legal Notice

If you have any questions about the material printed in this publication, please contact Kentucky Retirement Systems at 1-800-928-4646. This publication is intended merely as a general information reference for members of KRS. If you have any specific questions about the subjects covered by this publication, you should contact the retirement office. This publication is not intended as a substitute for applicable Federal or state law, nor will its interpretation prevail should a conflict arise between its contents and applicable Federal or state law. Before making decisions about your retirement, you should contact Kentucky Retirement Systems.